



June 7, 1978

The Honorable Dianne Feinstein  
President, Board of Supervisors  
235 City Hall  
San Francisco

Dear Dianne:

Passage yesterday of Proposition 13 presents San Francisco with a series of critical choices that must be made, by the executive and legislative branches of our government, working in close concert within a very short period of time.

The message and the consequences of the vote are clear:

- We must reduce our dependence on property taxes.
- We must cut the cost of city government.
- We must curtail the services we provide.
- We must increase our efficiency.
- We must make some hard choices.

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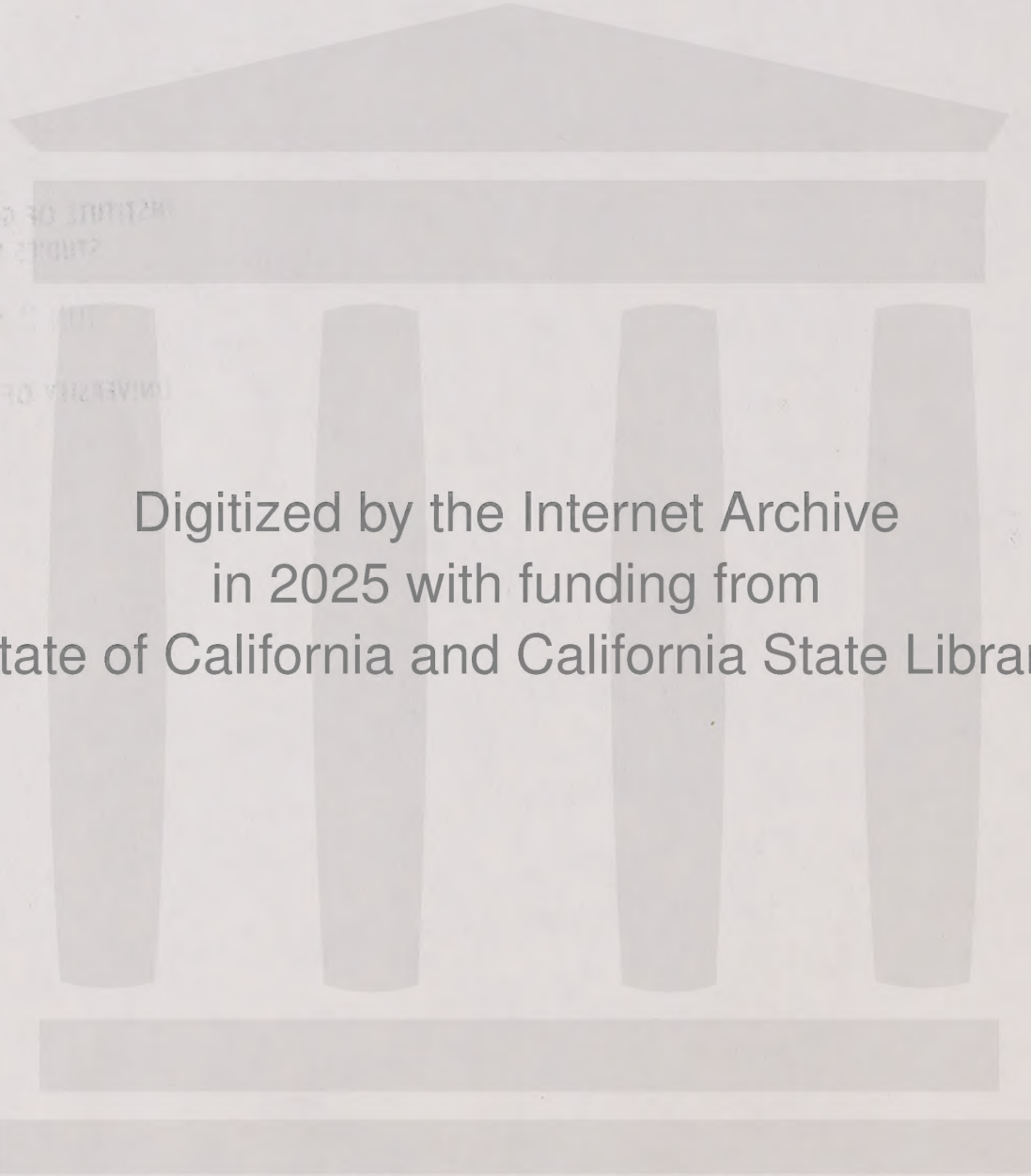
Your staff and mine, working together, have come up with alternative budgets, identifying cuts that must be made at various levels of funding.

It is our joint obligation now to put politics aside and work together. For my part, I pledge complete cooperation.

We must provide services essential for the well-being of our people, and we must eliminate those that may be desirable, but that we can no longer afford.

City services will be cut. Make no mistake about that. There will be layoffs. We were not engaging in scare talk when we said these would be among the consequences of Proposition 13.

But I do not intend to preside over the death of San Francisco. And neither, I'm sure, do you.



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I am confident that, working together, we will find creative solutions to our problems. We can maintain essential services at high levels if we exert strong leadership and choose our options wisely.

I am asking for your cooperation in declaring that a state of emergency exists. The City Attorney has prepared such a declaration, and I shall forward it to you today for your approval.

It is essential that we do this together in order to suspend charter requirements and to jointly cope with our fiscal emergency.

You adopted a new budget for the fiscal year beginning July 1, and sent me an appropriation ordinance to fund it. The charter says I must sign that ordinance by June 12. Since our revenues are no longer adequate, I cannot sign it.

Upon our joint agreement on the declaration of an emergency, you and I together can revise the appropriations ordinance and bring it into balance.

I will also send you a revenue package, identifying money that can be used to supplement the basic budgets that our staffs have submitted.

While they have been working on budget alternatives, I have been meeting with city officials and I have identified resources that are available to help solve our problem.

I have been able to pinpoint some \$31.6-million--without additional taxation--that can be used to replace part of the \$134-million shortfall created by Jarvis-Gann. Some of this is "one-time-only" money, but it will at least buy us time this year while we identify additional economies, efficiencies, and revenue sources to meet our future requirements.

I also will propose during this coming year that we maintain even closer audits on all the functions of city government to make certain there is no element of waste.

Meanwhile, I suggest the following offsets. They have been verified as legal by the City Attorney and the City Controller.

1. Transfer general obligation bond retirement payments for Hetch Hetchy and the Water Department to the property tax, as specifically permitted under Jarvis-Gann, and use the money freed thereby for general fund expenditures. This bookkeeping transaction will not impose any additional charges on water and power customers. The total achieved is \$11.3-million.
  2. Reduce the Controller's cash reserve fund in half to correspond to his reduced needs. Total: \$16-million.
  3. Collect Wastewater payments not previously credited: \$4.3-million.
- TOTAL: \$31.6-million.





In addition to these transfers, I propose two increases in existing taxes:

1. Increase the property transfer tax to 1.5 percent. Total: \$10-million.
2. Restore the parking tax to 25 percent. Total: \$4.2-million.

TOTAL: \$14.2-million.

GRAND TOTAL: \$45.8-million.

My budget proposal assumes that the proportionate division of property taxes shared by the city, the schools, and the community college district will remain constant.

If we receive any significant amount of state surplus funding, in time to use it in this year's budget, we will restore as many employees as possible to full work weeks--thereby providing equity for them, and increased services for the city.

It is my belief that the state should assume responsibility for the school deficit and should pick up the costs for courts and for welfare payments. I have urged this already on the Governor, the Speaker, the Chairman of the Senate Finance Committee, and other state officials, with every hope of success. But until these decisions are finally made, we cannot include uncertain state funding in our budget. Our budget must, as a matter of law and good administration, be balanced when it is adopted on July 1.

There is also a possibility that we can identify another \$10-million in offsets. If we do, I am suggesting a third level of funding, in accordance with the attached schedule, which shows how I would ask you to join with me in allocating our funds.

With these additions to the basic budgets, that restore some of the \$141-million lost to the city in property taxes, I am confident we can cope in the year ahead and make our plans for a better future.

You will note that I am proposing no new taxes, but I am suggesting increases in two existing taxes.

I did consider an earnings tax, which recently was declared constitutional by the California Supreme Court, as a way of permitting commuters to pay for essential and costly city services. On balance, I decided against it. I am convinced that it would be unfair to the renters of our city who do not profit from Proposition 13 and who, as a matter of equity, should not be twice victimized. They are being deprived of city services, and they should not also be asked to pay more taxes to compensate for Proposition 13's losses.

I concur fully with staff recommendations that salary standardization should be cancelled this year, both among employees for whom it has already been allocated, and for the policemen, firemen and Muni platform workers for whom it has not yet been processed.





June 7, 1978

By keeping pay levels at last year's rate, city workers will, in effect, be taking a pay cut. This year's dollar buys about 7 percent less than last year's dollar. That is a sacrifice all city employees must accept.

In addition, I agree with our staff suggestion that, in order to balance the budget, we must cut salary accounts by an average of 10-to-15 percent. We should give department heads the necessary administrative discretion to adjust their work forces through layoffs, work-sharing, and/or reduced work weeks.

With the additional funding that I propose, this is what we can accomplish:

**RECREATION-CULTURE:** The minimum budget assumed no support for Museums, the Library was funded at only 16 percent, and Recreation and Parks at 28 percent. I would propose that we restore funds for these activities to a 70 percent level by increasing their budgets by \$16.2-million.

**PUBLIC PROTECTION:** The minimum budget contemplated funding the Police and Fire Departments at 82 percent. I propose funding all of our law enforcement agencies at 90 percent, by adding \$12.5-million to the budget.

**SOCIAL SERVICES:** The minimum budget would mean the end of all General Assistance funding and some 500 children would have to be removed from foster homes. I propose adding \$1.2-million to that budget to maintain some 200 of the most clearly deserving youngsters in foster homes.

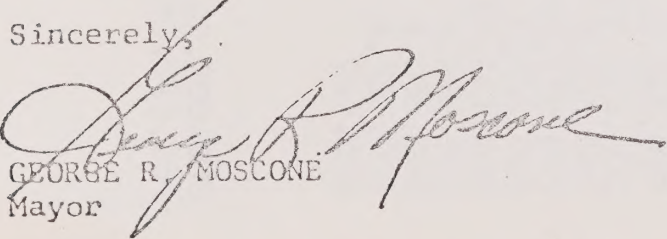
**MUNICIPAL RAILWAY:** The minimum budget would fund Muni at 61 percent of present service. This would require drastic cutbacks and mean unacceptable layoffs of personnel. I propose that Muni be funded at 81 percent of normal, by adding \$10.4-million in tax support. This, together with a moderate fare increase, would finance that level of operation.

**HEALTH:** The minimum budget closes all District Health Centers, funds Laguna Honda Hospital at only 72 percent, the General Hospital at 85 percent, and the Ambulance Service at 90 percent. It would mean closing all District Health Centers, Aid Stations, and Dental Clinics. I propose raising the level of funding at Laguna Honda to 90 percent. Certainly the elderly should not pay for Jarvis-Gann. I would also reopen one Dental Clinic. The additional cost would be \$2.8-million.

**GENERAL GOVERNMENT:** I propose adding some \$2.8-million to the general government budget to restore some of the programs eliminated in the minimum budget proposal.

It is my hope that, by working together, and avoiding political partisanship, we can succeed in minimizing layoffs, in maximizing the most efficient operation of city government, and in providing the essential services that make San Francisco the most desirable city in the all the world in which to live.

Sincerely,

  
GEORGE R. MOSCONE  
Mayor





INDEX	DEPARTMENT	78/79 BUDGET	WORST CASE	%	1ST LEVEL ADD-ON (\$31,600,000) BUDGET	%	2ND LEVEL ADD-ON (\$14,200,000) BUDGET	%	3RD LEVEL ADD-ON (\$10,000,000) BUDGET	%
<u>RECREATION &amp; CULTURE</u>										
113	Art Commission	\$ 489,998	-0-	-0-	\$ 245,000	50%	\$ 343,000	70%	\$ 343,000	70%
213	Academy Sciences	1,108,811	-0-	-0-	555,000	50%	775,600	70%	775,600	70%
621	Fine Arts	2,460,523	\$ 250,000	10%	1,230,000	50%	1,722,000	70%	1,722,000	70%
622	Asian	500,011	100,000	20%	250,000	50%	350,000	70%	350,000	70%
631	Library	7,598,277	1,236,046	16%	3,836,046	50%	5,318,794	70%	5,318,794	70%
641	P & A	3,900,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
648	Yacht Harbor	386,390	386,390	100%	386,390	100%	386,390	100%	386,390	100%
651	Rec & Park General	18,319,474	5,172,104	28%	9,159,737	50%	12,823,631	70%	15,571,552	85%
652	Zoo	1,994,931	100,000	05%	670,000	34%	746,430	70%	746,430	70%
653	Candlestick	2,427,644	2,427,644	100%	2,427,644	100%	2,427,644	100%	2,427,644	100%
654	Open Space	3,499,812	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
658	Other	72,653	72,653	100%	72,653	100%	72,653	100%	72,653	100%
659	Camp Mather	227,532	227,532	100%	227,532	100%	227,532	100%	227,532	100%
691	War Memorial	1,240,707	-0-	-0-	620,000	50%	868,000	70%	868,000	70%
<u>PUBLIC PROTECTION</u>										
111	Adult Probation	2,663,302	1,882,701	71%	2,182,701	82%	2,396,697	90%	2,396,697	90%
131	Emergency Service	211,305,000	167,126	79%	167,126	79%	167,126	79%	167,126	79%
141	District Attoeney	4,828,841	3,606,559	75%	3,806,559	80%	4,345,957	90%	4,345,957	90%
145	Fire Dept.	53,462,464	52,282,796	82%	54,577,719	86%	57,116,200	90%	57,116,200	90%
155	Municipal Court	7,776,921	7,105,048	92%	7,105,048	92%	7,105,048	92%	7,105,048	92%
161	Police Dept.	83,500,716	69,418,538	82%	71,810,615	86%	75,150,645	90%	75,150,645	90%
165	Public Defender	2,446,070	1,988,503	81%	1,988,503	81%	2,201,463	90%	2,201,463	90%
173	Sheriff	11,268,073	9,854,122	87%	9,854,122	87%	10,141,266	90%	10,141,266	90%
179	Superior Court	4,612,475	4,222,992	92%	4,222,992	92%	4,222,992	92%	4,222,992	92%
185	Juvenile Court	4,531,283	4,056,348	90%	4,056,348	90%	4,056,348	90%	4,056,348	90%
186	Juvenile Hall	2,619,359	2,371,001	91%	2,451,001	94%	2,451,001	94%	2,451,001	94%
187/188	Log Cabin - H.V.	1,285,459	747,654	58%	747,654	58%	747,654	58%	747,654	58%
<u>SOCIAL SERVICES</u>										
168	Medi-Cal	22,803,672	20,200,000	89%	20,200,000	89%	20,200,000	89%	20,200,000	89%
169	Social Services	137,794,378	128,795,264	93%	130,045,264	94%	130,045,264	94%	131,095,264	95%





INDEX	DEPARTMENT	78/79 BUDGET	WORST CASE	%	1ST LEVEL ADD-ON 31,600,000) BUDGET	%	2ND LEVEL ADD-ON (\$14,200,000) BUDGET	%	3RD LEVEL ADD-ON (\$10,000,000) BUDGET	%
<u>MUNI</u>										
735	Municipal Railway	88,442,614	52,900,000	60%	+10,400,000AD-VAL + 8,700,000FARES 72,000,000 81% ( + FARE INCREASE)		72,000,000 81% + FARE INCREASE		72,000,000 81% + FARE INCREASE	
<u>HEALTH</u>										
511	Accounting	326,256	298,704	82%	327,257	82%	298,704	82%	298,704	82%
	EDP	1,447,480	1,302,732	90%	1,302,732	90%	1,302,732	90%	1,302,732	90%
513	Administration	1,793,919	1,269,398	71%	1,581,823	88%	1,581,823	88%	1,581,823	88%
515	Jail Medical	2,067,458	1,925,959	93%	1,979,959	96%	1,979,959	96%	1,979,959	96%
517	Micro Bio. Lab	515,557	428,040	83%	428,040	83%	428,040	83%	428,040	83%
519	Chemical Lab	255,859	114,447	45%	114,447	45%	114,447	45%	114,447	45%
521	Maternal/Child Hlth.	1,159,768	1,048,663	90%	1,048,663	90%	1,048,663	90%	1,048,663	90%
525	Disease Control	239,376	97,079	40%	97,079	40%	158,000	66%	158,000	66%
529	Dental Bureau	504,244	-0-	-0-	150,000	30%	200,000	40%	453,820	90%
531	Food & Sanitary	1,767,531	1,564,464	89%	1,564,464	89%	1,564,464	89%	1,564,464	89%
533	Youth Guidance	245,156	122,578	50%	202,598	83%	202,578	83%	202,578	83%
535	Health Centers	4,623,786	300,000	06%	300,000	06%	300,000	06%	3,467,839	75%
537	Health Ed.	101,334	62,447	62%	62,447	62%	62,447	62%	62,447	62%
539	Nursing	72,102	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
541	Statistics	202,417	172,052	85%	172,052	85%	172,052	85%	172,052	85%
543	T.B.	564,594	467,155	83%	467,155	83%	467,155	83%	467,155	83%
545	V.D.	939,469	774,515	82%	774,515	82%	799,515	85%	799,515	85%
551	Emergency Services	3,580,707	1,911,790	53%	1,911,790	53%	1,911,790	53%	3,222,636	90%
555	Laguna Honda	22,742,442	16,419,080	72%	1,642,500A/V 1,642,500M/C 19,704,080 87% 50,215,483 85%		382,000A/V 382,000M/C 20,468,198 90% 50,215,483 85%		1,546,170A/V 1,546,170REV 53,307,822 90% 29,720,593 93%	
557	S.F. General Hosp.	59,230,914	50,215,483	85%	50,215,483	85%	50,215,483	85%	50,215,483	85%
561/583	CMHS	32,008,116	29,720,593	93%	29,720,593	93%	29,720,593	93%	29,720,593	93%
<u>GENERAL GOVERNMENT</u>										
119	City Planning	1,652,691	896,601	54%	1,340,601	81%	1,340,601	81%	1,340,601	81%
124	Controller	4,921,882	3,657,952	74%	3,762,952	76%	3,762,952	76%	3,762,952	76%
153	FIRM	469,760	-0-	-0-	469,760	100%	469,760	100%	469,760	100%
143	Cty. Off. of Educ.	1,525,130	326,238	21%	1,525,130	100%	1,525,130	100%	1,525,130	100%





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147	Human Rights Comm.	373,554	134,716	36%	186,777	50%	336,198	90%	336,198	90%
150	Status of Women	83,907	-0-	-0-	41,950	50%	75,516	90%	75,516	90%
152	Commission on Aging	113,191	67,000	60%	113,191	100%	113,191	100%	113,191	100%
178	Assessment Appeals	128,325	-0-	-0-	64,162	50%	64,162	50%	64,162	50%
223	Corner	910,652	707,171	78%	757,171	83%	757,171	83%	757,171	83%
415	Building Inspection	3,485,687	2,715,513	78%	3,032,513	87%	3,032,513	87%	3,032,513	87%
	Other Gen. Government									
	Dept. Remain UnChanged from "Worse Case"									
	Budgets in Staff Report									

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